

California law **does not** conform to the federal law for:

- IRC Section 168(k) relating to the depreciation deduction for certain assets.
- The enhanced IRC Section 179 expensing election.
- The expanded definition of IRC Section 179 property for certain depreciable tangible personal property related to furnishing lodging and for qualified real property for improvements to nonresidential real property.
- Federal modifications to amortization of research and experimental expenditures (IRC Sections 174 and 174A).
- 100% depreciation election for qualified production property (IRC Section 168(n))

Additional differences may occur for the following:

- **Luxury Automobile Depreciation:** Sport utility vehicles and minivans built on a truck chassis are included in the definition of trucks and vans when applying the 6,000 pound gross weight limit. However, California does not conform to the federal modifications to depreciation limitations on luxury automobiles (IRC Section 280F).

Depreciation limitations placed in service in the calendar year 2025:

For passenger automobiles (that are not trucks or vans)

Tax Year	Amount
1st Tax Year	\$3,860
2nd Tax Year	\$6,100
3rd Tax Year	\$3,650
Each Succeeding Year	\$2,175

For trucks and vans

Tax Year	Amount
1st Tax Year	\$4,360
2nd Tax Year	\$6,900
3rd Tax Year	\$4,150
Each Succeeding Year	\$2,475

For lease inclusion indexing amounts, go to ftb.ca.gov/forms/search and enter **lease inclusion**.

- **Amortization of Certain Intangibles** (IRC Section 197): Property classified as Section 197 property under federal law is also Section 197 property for California purposes. There is no separate California election required or allowed. However, for Section 197 property acquired before January 1, 1994, the California adjusted basis as of January 1, 1994, must be amortized over the remaining federal amortization period.
- **Grapevines Subject to Phylloxera or Pierce's Disease:** For California purposes, replacement grapevines may be depreciated using a recovery period of five years instead of ten years.

This list is not intended to be all-inclusive of the federal and state differences. For additional information, refer to California's R&TC.

Specific Line Instructions

Line 1 – California depreciation for assets and amortization for intangibles placed in service during the 2025 taxable year.

Complete column (a) through column (i) for each asset or group of assets or property placed in service during the 2025 taxable year. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – California depreciation for assets placed in service beginning before the 2025 taxable year.

Enter total California depreciation for assets placed in service beginning before the 2025 taxable year, taking into account any differences in asset basis or differences in California and federal tax law.

Line 4 – California amortization for intangibles placed in service beginning before the 2025 taxable year.

Enter total California amortization for intangibles placed in service beginning before the 2025 taxable year, taking into account any differences in asset basis or differences in California and federal tax law.

Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the instructions for Schedule CA (540) and Schedule CA (540NR). If the LLC has any other adjustments to make, get FTB Pub. 1001, for more information.

Line 6 – Total Depreciation and Amortization

Add line 3 and line 5. Enter the total on line 6 and on Form 568, Schedule B, line 17a.

If depreciation or amortization is from more than one trade or business activity, or from more than one rental real estate activity, the LLC should separately compute depreciation for each activity. Use the depreciation computed on this form to identify the net income for each activity. Report the net income from each activity on an attachment to Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc., for purposes of passive activity reporting requirements. **Use California amounts** to determine the depreciation amount to enter on line 14 of federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

Line 7

Enter the IRC Section 179 expense deduction amount from line 12 of the following worksheet.

These limitations apply to the LLC and each member.

Election to Expense Certain Tangible Property (IRC Section 179) Worksheet

Follow the instructions on federal Form 4562, Depreciation and Amortization, for listed property.

- 1 Maximum dollar limitation 1 \$ 25,000
- 2 Total cost of IRC Section 179 property placed in service during the taxable year 2
- 3 Threshold cost of IRC Section 179 property placed in service during the taxable year 3 \$200,000
- 4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- 4
- 5 Dollar limitation for taxable year. Subtract line 4 from line 1. If zero or less, enter -0- 5

(a) Description of property	(b) Cost	(c) Elected cost
6		
7 Listed property. Use federal Form 4562, Part V, line 29. Make adjustments for California law and basis differences 7		
8 Total elected cost of IRC Section 179 property. Add amounts in column (c), line 6 and line 7 8		
9 Tentative deduction. Enter the smaller of line 5 or line 8 9		
10 Carryover of disallowed deduction from 2024. See instructions for line 10 through line 12 on federal Form 4562 10		
11 Income limitation. Enter the smaller of line 5 or the aggregate of the LLC's items of income and expense described in IRC Section 702(a) from any business actively conducted by the LLC, other than credits, tax-exempt IRC Section 179 expense deduction, and guaranteed payments under IRC Section 707(c) 11		
12 IRC Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11. Enter on Schedule K (568), line 12 and on form FTB 3885L, line 7 12		
13 Carryover of disallowed deduction to 2026. Add line 9 and line 10 and subtract line 12. Enter here and on form FTB 3885L, line 8. 13		